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ABSTRACT

The Levittown v Nyquist court case is bound to have serious repercussions for New York State. In dispute is the legality of the State's system for financing elementary and secondary education. The case was initiated in 1974 by Levittown and 24 other suburban and rural school districts who claimed to be unable to generate an adequate level of local revenue. The plaintiffs assert that the State formula for aid to schools does not compensate for uneven distribution of wealth. After the suit was filed, the school boards of the State's four largest cities, New York City, Buffalo, Rochester, and Syracuse, entered the lawsuit as intervenors, charging that the State's distribution formula does not provide equal education to all because it ignores educational problems unique to urbank localities. The intervenors assert that by measuring local capacity to support public education solely in terms of "property value per pupil in attendance," the State formula treats large cities as "wealthy" and less deserving of aid. They argue that in fact, city districts do not have adequate resources for their public education programs. This is the first lawsuit to call for a redress of alleged inequalities in distribution schemes that result in reduced aid for large urban school districts. Whatever the outcome of the court case, politics will play a major role in the process of State financial reform. (Author/RLV)

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SCHOOL FINANCE REFORM:

THE CASE FOR URBAN SCHOOLS

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Invited Address Presented at
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Association Annual Meeting
Toronto, Ontario
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CONTENTS

	Page
LEVITTOWN v. NYQUIST	1
POSSIBLE REFORM MEASURES FOR NEW YORK STATE.	9
Redressing the Claims of the Original Plaintiffs	9
Redressing the Claims of the Intervenors.	10
TWO ISSUES CRITICAL TO THE OUTCOME OF THE POLITICAL PROCESS	13
State Aid to Minority Pupils	14
Providing Additional Aid to the Cities and Spending It	15

An earlier version of this paper was presented in an invited address to the American Education Finance Conference, Denver, Colorado, March 12 - 14, 1978. I wish to acknowledge the assistance and comments of Ronald Choy and Richard Guttenberg.

LEVITTOWN v. NYQUIST

Unbeknownst to most public officials, let alone the general population, New York State is moving swiftly and inexorably toward a major constitutional crisis. The event precipitating this crisis is a seemingly innocuous lawsuit, Levittown v. Nyquist, currently pending decision after nine months of trial proceedings in the state court of record. In dispute is the legality of New York's system for financing elementary and secondary education, the method used to raise and distribute nearly $8 billion to the more than 700 local school districts enrolling 3.4 million pupils throughout the state.

The Levittown case was initiated in 1974 by the Levittown Board of Education and 24 other suburban and rural school districts. Claiming to be "property poor," and therefore unable to generate an adequate level of local revenue, the Levittown plaintiffs assert that the state aid formula does not compensate for uneven distribution of wealth.* In the plaintiffs' eyes, the state legislature, the architect of this formula, has failed to fulfill its constitutional obligation to "provide for the maintenance of a system of free common schools, wherein all of the children of the state may be educated."

*The complaint of the Levittown plaintiffs is similar to complaints brought in many states throughout the nation during the past decade. As a result of these lawsuits, substantial reforms have been enacted in at least 19 states, including California, Florida, New Jersey, Connecticut, Missouri, and Oregon.

Some months after Levittown v. Nyquist was filed by the original plaintiffs, the school boards of New York's four largest cities -- New York City, Buffalo, Rochester, and Syracuse -- entered the lawsuit as intervenors. The cities are complaining about the impact of the state's school finance system on districts having fiscal burdens and educational problems unique to urban localities. Specifically, they charge that the state's distribution formula does not provide equal education for all because it ignores four urban realities:

- Cities must provide massive non-educational services that place a far greater drain on their tax dollars than the drain in non-urban areas, and it is irrational and discriminatory for the aid formula to ignore that reality and presume that taxable resources committed to other services are available for public education.

- The value of the city school dollar is unavoidably reduced by the higher cost of doing business, and it is irrational and discriminatory for the aid formula to assume that tax dollars have the same educational purchasing power throughout the state.

- Cities have far higher rates of student absenteeism which actually increase their school costs, and it is irrational and discriminatory for the aid formula to count pupils by average daily attendance rather than by enrollment.

- Cities have greater concentrations and numbers of disadvantaged, handicapped, and other students with special educational needs, and it is irrational and discriminatory for an aid formula that allocates supplemental aid for each special need student to provide less aid per pupil in the cities than in other districts.*

*These are the four complaints stated explicitly in the "Post-Trial Review of the Evidence for Plaintiffs-Intervenors," a document submitted by the intervenors to the court at the conclusion of the trial proceedings.

In sum, the intervenors assert that by measuring local capacity to support public education solely in terms of "property value per pupil in attendance," the formula treats the large cities as "wealthy" and therefore less deserving of aid. In fact, they argue, the city districts do not have adequate resources for their public education programs.

This point is well illustrated in Exhibit 1. The data show that the formula's measure of fiscal capacity systematically exaggerates the real wealth of large urban school districts. For example, 27 school districts in the state besides the City of Rochester are equally "rich" in terms of full value of real property per pupil, and they all receive essentially the same per pupil allowance from the state. Yet when alternative measures of wealth are used (see table below) the City of Rochester is only three-fourths as "rich" as the

COMPARISON OF ROCHESTER AND EQUALLY RICH SCHOOL DISTRICTS IN NEW YORK

ALTERNATIVE MEASURES OF WEALTH AND STATUS	ROCHESTER	EQUALLY RICH DISTRICTS	RATIO
Full Value Per Pupil	$52,650	$49,650 to 55,650	1.06 to 0.94
Per Capita Full Value	7,173	10,519	0.68
Per Capita Income	3,223	4,045	0.80
Mean Family Income	10,762	14,715	0.73
Percent of Families Below Poverty Line	8.9%	4.5%	1.98
Percent Minority Enrollment*	50.4%	18.7%	2.70

*Although neither the plaintiffs nor the intervenors mentioned the issue, percent minority enrollment data here and in Exhibit 1 suggest the very disturbing, unfavorable impact of the state's education aid formula on minority pupils, the vast majority of whom live in the big cities. See "State Aid to Minority Pupils" (page 14) for a brief discussion of this matter.

EXHIBIT 1

WEALTH AND STATUS COMPARISONS FOR THE LARGE CITY SCHOOL DISTRICTS AND DISTRICTS RECEIVING SIMILAR AMOUNTS IN STATE AID PER PUPIL*

DISTRICT	FULL VALUE PER RESIDENT WADA	FORMULA AID PER RESIDENT WADA	MEASURES OF WEALTH: MEAN FAMILY INCOME	MEASURES OF WEALTH: PER CAPITA INCOME	MEASURES OF WEALTH: PERCENT FAMILIES IN POVERTY	MEASURES OF WEALTH: PER CAPITA FULL VALUE	PERCENT MINORITY ENROLLMENT**	NUMBER OF DISTRICTS	ENROLLMENT
New York City	$67,613	$393.38	$11,639	$ 3,721	11.5%	$ 8,606	66.8%	-	1,100,224
Equally Rich Districts	64,613 - 70,613	390.38 - 396.38	18,598	5,206	4.8	13,210	14.7	17	57,000
Bronx	28,696	769.56	9,635	2,943	15.5	3,992	83.0	-	228,061
Equally Rich Districts	25,696 - 31,696	724.56 - 814.56	12,181	3,223	5.8	7,558	4.8	104	457,600
Brooklyn	38,291	625.63	10,181	3,072	13.9	5,239	69.0	-	390,965
Equally Rich Districts	35,291 - 41,291	580.63 - 670.63	14,036	3,779	4.3	9,085	4.2	40	182,300
Manhattan	181,009	360	14,242	5,255	13.1	17,882	86.3	-	173,445
Equally Rich Districts	101,000 or more	360	19,857	5,722	4.3	22,900	16.3	25	34,400
Queens	71,455	389.54	13,003	4,048	5.5	8,570	47.0	-	249,941
Equally Rich Districts	68,455 - 74,455	386.54 - 392.54	20,006	5,696	5.1	13,072	21.6	16	55,000
Staten Island	60,386	400.61	12,934	3,516	4.8	11,106	15.6	-	57,812
Equally Rich Districts	57,386 - 63,386	397.61 - 403.61	18,516	4,993	3.8	12,501	6.4	20	48,000
Buffalo	33,120	703.20	9,968	2,933	11.2	4,194	49.4	-	58,818
Equally Rich Districts	30,120 - 36,120	658.20 - 748.20	13,428	3,564	5.1	8,489	5.5	82	361,400
Rochester	52,650	410.25	10,762	3,223	8.9	7,173	50.4	-	43,107
Equally Rich Districts	49,650 - 55,650	405.35 - 455.25	14,715	4,045	4.5	10,519	18.7	27	79,900
Syracuse	42,569	561.46	10,835	3,240	9.8	5,533	34.7	-	26,537
Equally Rich Districts	39,569 - 45,569	516.46 - 606.46	14,590	3,965	3.9	10,057	5.1	45	170,900
Yonkers	66,817	394.18	13,933	4,248	5.6	9,041	31.0	-	29,374
Equally Rich Districts	63,817 - 69,817	391.18 - 397.18	18,460	5,105	4.4	13,937	17.7	15	52,600

Sources: All data was compiled from the 1974-1975 BEDS file of the New York State Department of Education except for the minority enrollment in New York City and its boroughs. This was obtained from the Annual Pupil Ethnic Census report published by the Office of Educational Statistics in the New York City Board of Education. All income figures on the BEDS file are taken from the 1970 U.S. Census. In certain cases, data was missing from the BEDS file and was obtained directly from census publications.

*Full value per resident WADA is for the 1973-74 school year while all income figures are for 1969. The percent minority enrollment is for the 1974-75 school years.

**The percent minority enrollment is for grade 6 for all districts other than New York City and its boroughs, in which case it includes all grades.

other districts, on the average. In addition, the percentage of families with incomes below the poverty line is twice as great in Rochester as in other areas.

This same problem troubles all five of the biggest cities in the state. When compared to "equally rich" non-urban districts in terms of other crucial indicators of wealth (for example, family and per capita income, the number of families at or below the poverty level, and the per capita full value of property), the cities are much less "wealthy" than they appear to be if measured only in terms of full value per resident pupil. Seen from this point of view, the distribution formula's definition of local fiscal capacity is seriously inconsistent with the objective of providing an equal education for all students.

The intervention of New York's four largest cities in Levittown v. Nyquist has added a new and compelling dimension to the argument for greater equity in the state's school finance system. Although education finance statutes have been challenged in many states throughout the nation, this is the first lawsuit to call for a redress of alleged inequities in distribution schemes that result in reduced aid for large urban school districts.*

In support of their argument, the intervenors called more than 80 expert witnesses to testify about the unique fiscal burdens and extraordinary educational problems facing urban districts. Moreover, even

*The reduction in aid to urban districts under the present formula is particularly underscored by the following simple statistics: New York City, which has 46 percent of the state's "disadvantaged" pupils and 31 percent of the state's total enrollment, receives only 26 percent of the state's aid to education.

witnesses called for the defense acknowledged that the large urban school districts are penalized under the present aid formula.

In 1978, an initial decision on Levittown v. Nyquist will be handed down. Regardless of how the trial court decides this case, the matter will certainly be appealed, first to the Appellate Division of the State Supreme Court and then to the New York State Court of Appeals. A final decision will probably be reached sometime in 1979.

Courts in other states -- California, New Jersey, Connecticut, Washington -- have ruled that it is the duty of the legislature to devise a system for financing education; in New York State, responsibility is given to the legislature by the constitution. But the courts do retain the authority to determine whether or not statutes enacted by the legislature are consistent with the state's constitution.

In 1978, the entire New York State legislature as well as the governor will be up for re-election, and the victors will take office in January 1979. As the Levittown case works its way through the courts, aid to education is likely to be a prominent issue in state political campaigns. If the present system of school finance is declared unconstitutional, then the new legislature will be forced to devise a new system of school finance according to guidelines and standards established

by the court.* Similar situations in other states have shown that negotiations between courts and legislatures over the issue of aid to education can quickly assume the proportions of a constitutional crisis.**

If reforming the school finance system were simply a matter of devising a better formula for distributing state aid to education, then it would be simple to formulate a technically sound solution. But the issue cannot be defined that narrowly. Potentially enormous sums of money are involved in the Levittown challenge. Intervenors claim, for example, that the present aid formula irrationally withholds at least $500 million a year from the large city districts. New York City alone, they say, is denied more than four-fifths of that amount for meeting its legitimate annual school costs. In addition to the issue of money, school finance reform raises many other thorny issues with profound and wide-ranging consequences: the soundness of the entire revenue structure of the state and local governments; the relationship

*"'Politically it [New York's school aid formula] works out perfectly.' It perfectly reflects 'the relative order of priorities' various constituencies in the state place on education and it perfectly reflects 'the traditional state political power structure.'" The reluctance of members of the legislature to change the school aid formula is summed up by Assemblyman Irwin J. Landes of Great Neck, in this statement from an article by Amy Plumer, "Perfect Politics in Imperfect School Aid," Empire State Report, vol. 1, no. 4 (1975).

**A proposal for a constitutional convention in New York State was put before the voters in November 1977, but the proposal was rejected. If it had passed, the state's system of school finance would certainly have been a major area of concern, as it was for the previous constitutional convention held in 1967. For the present, the Levittown case is the only remaining path for instigating reform of the school finance system.

between cost and quality in schooling; the governance of public education; and the allocation of scarce resources among education and other essential public services.

Even assuming that the intervenors are successful in their lawsuit, critical decisions regarding school finance reform and related issues will ultimately be made in the "political" arena. Interest groups will mobilize themselves, the governor and the state's other executive officers will become involved, and in the legislature there will be intense debate, deep deliberation, and eventually, grudging compromise. Out of this process a solution will presumably emerge, a new system for financing the public schools that will meet the standards set by the court.

POSSIBLE REFORM MEASURES FOR NEW YORK STATE

Levittown v. Nyquist is the first case that poses special urban needs as a constitutional issue alongside the more general issue of fiscal neutrality. The plaintiffs and intervenors have asked the New York Supreme Court to declare the present system of funding the state's public schools unconstitutional on two counts:

- First, that it fails to compensate for disparities in spending among the state's school districts because it relies heavily on revenues generated by the local property tax.
- Second, that it discriminates unfairly against urban school districts because it does not take into account the extra burdens and special needs of the state's large cities.

If the court rules for the complainants on both counts, then the legislature will have to devise a reform plan that gives priority to the needs of large city school districts within a more general, equitable scheme for raising and distributing funds for public education.

Redressing the Claims of the Original Plaintiffs

The education article of the New York State Constitution is less specific than those in the constitutions of New Jersey or Connecticut; it requires the legislature to provide for a system of common schools in which every child may be educated. In Levittown v. Nyquist, the court must decide if the present system of financing public schools fulfills this requirement. If the court decides that the system is unconstitutional,

then there are a number of options for corrective legislation. The court may follow the pattern laid down by courts in other states and direct the legislature to:

- Formulate a fiscally neutral plan for raising and distributing revenue so that the amount of money available to each school district is unrelated to local property wealth.
- Include in the plan a way to limit disparities in per pupil spending among school districts by a specific number of dollars.
- Devise a distribution plan designed to equalize all resources rather than merely numbers of dollars allocated to each school district in the state.

The legislature will then have a range of options available to meet the court's criteria for fiscal neutrality. These options include full state funding, a district power equalizing formula, and geographical restructuring of existing school districts. Each of these options would entail far-reaching changes in school governance and generation of revenue.

Redressing the Claims of the Intervenors

The remedies suggested by the intervening city school districts are different than, but not inconsistent with, those suggested by the original plaintiffs. The cities suggest making adjustments in the ways in which components are measured in the existing formula for state aid distribution. For example:

- Fiscal overburden could be measured, as it is in Michigan, by comparing a district's tax rate for noneducational services to the statewide average tax rate for noneducational services.

- School district fiscal capacity could be measured by a population count rather than by a count of pupils. For example, Connecticut adopted a per capita measure of school district wealth specifically to channel more funds to cities.

- School district fiscal capacity could be defined by an index that combines available revenue sources, including both property values and taxable income.

- Adjustments could be made in the formula to take into account differences in the cost of providing the same quantity and quality of education in different kinds of districts and in different geographic regions of the state. A "cost of doing business" index could be constructed to reflect price differences among selected geographic regions.

- A "cost of education" index could be developed, based on standarized categories of special programs for handicapped, disadvantaged, occupational, bilingual, and other high cost pupils. Actual costs in different areas or types of districts could then be adjusted to reflect the special needs of urban districts.

- The state's method of counting pupils could be revised so that pupils are counted on the basis of enrollment instead of attendance. Since pupil count is used to measure both fiscal capacity and pupils eligible for aid, this change would have a double impact on the present system.

The state government is already making some efforts along these lines. In his proposals for state aid to education for the 1977-1978 school year, the governor recommended that pupils be counted by giving

equal weight to attendance and enrollment. In addition, the State Education Department, the State Division of the Budget, and the State Board of Equalization and Assessment are jointly working on a federally funded study of alternative ways to measure school district fiscal capacity.*

*See "The Role and Nature of School District Relative Wealth," State Board of Equalization and Assessment, Albany, May 1977.

TWO ISSUES CRITICAL TO THE OUTCOME OF THE POLITICAL PROCESS

No matter how the court disposes of the Levittown suit, changes in New York's system for financing its public schools ultimately must be approved by the legislature and the governor. After the lawyers and judges have had their say, non-judicial (non-judicious?) politics will be a major factor in the process, just as they should be. Abstract notions of equity, fiscal capacity, and educational need will receive operational definitions, and trade-offs and compromises will really be made. As crass and unanalytic as this may sound, the success of reforms for the cities will be measured by the additional dollars of state aid they receive and by the increase in their share of the total amount distributed. Of course, this is precisely the yardstick that is used so successfully by suburban school districts and their legislative representatives.

But the cities will have to perform some fancy footwork in order to receive these increases. They must refine and substantiate their claims of greater educational need and lesser fiscal ability in order to withstand the skeptical political scrutiny of suburban and rural legislators. They will be pressed hard to justify their plea for additional state aid, whether the legislators decide to finance it through new taxes, a reallocation from other public services to education, or a redistribution of existing education aid among the state's 700 school districts. Under these circumstances, the cities may well have to reach beyond the issues raised in Levittown.

State Aid to Minority Pupils

The possibility that minority pupils in the State of New York are adversely affected by the present system of school finance has not been raised in the Levittown litigation. However, legislators who formulate a new aid distribution scheme can save the state from possible future litigation by rooting out any semblance of adverse racial impact. At the present time, minority pupils are heavily concentrated in the four cities represented by Levittown intervenors: New York, Buffalo, Rochester, and Syracuse. The table below shows that, on the average, minority pupils receive less state aid than white pupils. Raising state aid per pupil in the five big cities to the average for the rest of the state ($1,000 in 1976-1977) would be a significant step toward eliminating these racial disparities.

RACIAL/ETHNIC DISTRIBUTION OF PUBLIC SCHOOL PUPILS

IN NEW YORK STATE: 1976-1977

LOCATION OF DISTRICT	BLACK	HISPANIC	OTHER MINORITY	WHITE	ALL PUPILS	STATE AID PER PUPIL
New York City	71.5%	88.3%	60.5%	14.0%	32.4%	$ 760
Buffalo	4.3	0.6	1.7	1.2	1.7	1,030
Rochester	3.2	0.9	0.7	0.8	1.3	750
Syracuse	1.4	0.1	1.8	0.7	0.8	840
Yonkers	0.8	0.8	0.9	0.8	0.8	550
Rest of State	18.8	9.3	34.4	82.5	63.0	1,000
Statewide	100.0%	100.0%	100.0%	100.0%	100.0%	$ 915
Average State Aid Per Pupil	$815	$780	$845	$960	$915	--

Source: "Racial/Ethnic Distribution of Public School Students and Staff in New York State: 1976-1977," p. 4, and unpublished state aid data, New York State Education Department.

Note: "Black" excludes those of Hispanic origin. "Hispanic" includes Latin American, Cuban, Puerto Rican and others of Spanish speaking origin. "Other Minority" includes American Indian, Alaskan Native, Asian and Pacific Islander. "White" excludes those of Hispanic origin.

If the Levittown case does not force the legislature to institute school finance reform, then it is almost certain these observations will find their way into another court case that challenges the current aid formula on the grounds of racial discrimination.

Providing Additional Aid for the Cities and Spending It

Let us assume that the court in Levittown v. Nyquist -- or in possible subsequent litigation based on the racial disparity argument -- affirms the equity claim of New York State's large urban school districts. As I have pointed out, equity will be defined in terms of a rather mundane measure, that is, the additional dollars of state aid that the city districts receive and the increase in their share of the total amount distributed. Will the legislature have any options in providing this additional aid? And just as important, what restrictions will the legislature place on how the increment is spent?

There are basically three options that the state can exercise with regard to the provision of additional aid for the cities. First -- and pardon me for mentioning something that conventional wisdom has eliminated as a real option -- the state could redistribute existing education aid so that the cities get more. Second, the state could reallocate revenue ordinarily used for non-educational purposes. A corollary to this option, one presently used in California, is the allocation of "surplus" revenue for educational purposes. Third, the state could produce a real dollar increase in revenue through various tax mechanisms -- either by increasing the rate of existing taxes or by instituting new ones.

For a variety of reasons, none of these options seems very appealing yet all are worth considering.

Formidable political obstacles stand in the way of redistribution -- either of existing education aid or of revenue ordinarily used for non-educational purposes. Even during the era in which New York had budget surpluses and growing revenues from expanding economic activity, no serious efforts were made to reform the state's school finance system. Though the cities have complained about inequities in the formula for more than 20 years, additional aid has come only from annual revenue increments, never from winning a larger share of the state's total education appropriation.

But perhaps economic necessity will force the legislature to break precedent. The state's economy has been seriously deflated since the recession of 1969, and it will probably continue to scrape along for a while longer at a growth rate considerably lower than that of the nation as a whole. Since the only "surpluses" New York can expect are the kind that come during a gubernatorial election year, substantive redistribution may actually receive the serious consideration it deserves as a viable and fair way to reform the state's school finance system.

What are the prospects for imposing higher taxes in New York? Very dim, but not entirely hopeless. New Yorkers are already the most heavily taxed people in the country. Whether measured as a percentage of personal

income or on a per capita basis, state and local taxes in New York are at the top of the scale. New York is way ahead of the nation for local taxes, and for state taxes it is number five on a per capita basis and number thirteen when measured as a percent of personal income.

In most other major industrial states -- Illinois, Michigan, Ohio and Pennsylvania -- the state tax burden is significantly greater than the local burden. In New York and Massachusetts, this relationship is reversed (see the following table). This suggests the possibility that new state taxes might not be completely out of line, especially if local tax relief were part of the package.

STATE AND LOCAL TAXES AS A PERCENT OF PERSONAL INCOME:
FISCAL YEAR 1974-1975*

	State	Local	Total
New York	8.0%	8.6%	16.6%
Illinois	6.3	5.4	11.7
Massachusetts	6.6	7.6	14.2
Michigan	6.5	5.2	11.7
Ohio	5.1	4.6	9
Pennsylvania	7.3	4.3	11
U.S. Average	7.0	5.3	.3

*Source: Government Finances in 1974-1975, Bureau of the Census.

The only significant state tax lacking in New York is the one on real property. However, this solution has two major strikes against it. First, cities would bear a disproportionate burden because, by their very nature, they are "property rich." Using a statewide property tax to finance additional state aid for the cities would amount to robbing Peter to pay Peter. Second, there is persuasive evidence that the property tax, as it is presently applied to dwellings, falls disproprotionately on people living in urban ghettos.* Without meaningful reform, increasing property taxes would only exacerbate this situation.

The most reasonable alternative for New York would be to reduce local school taxes (almost entirely property taxes) and raise the state income tax, which at least has a built-in mechanism for being progressive. This would clearly benefit the poor and also channel more funds into, rather than out of, the cities.

But would a higher level of state (or local) taxation makes sense? Given the deflated condition of the state's economy (especially in New York City) raising taxes sounds like exactly the wrong prescription. Further taxation could vitiate attempts to bolster New York's sagging economy. But even if additional revenue could be raised through new forms of taxation, why spend the money for education? Many claim that

*Emanuel Tobier, "Aspects of the New York City Property Market: A Study of Trends in Market Values, Assessments, Effective Tax Rates and Property Tax Delinquency," Citizens Housing and Planning Council of New York, Inc., 1975.

state revenue increments should be used to support economic development projects. Do efforts to improve public schools fall into this category? Can we make the schools better if we spend more on them?

Since we have no reliable education "production" function, these are tough, nearly unanswerable questions. Econometric analysis of education is still a primitive science that provides contradictory or inconclusive results, and substantial research is sorely needed in this area.

At the very least we must be able to identify and replicate those factors that make some schools unusually effective in achieving their objectives. This task alone could take years to complete, but some progress has already been made. For example, during my tenure as deputy chancellor of the New York City public schools, I initiated an ongoing effort to gather and report on an annual basis systematic information on the factors and processes associated with educational effectiveness.

Now that enough cross-sectional and longitudinal data have been assembled, we can begin to make significant observations. To pick just one example, we now know that among the 260 elementary schools in New York City that have minority pupil enrollments of over 90 percent, 50 of them are doing better in terms of student achievement than one would expect. Further, when we compare these "unusually effective" schools to those at the opposite end of the scale (i.e., "ineffective" schools),

there are statistically significant differences between them in terms of pupil characteristics and resource utilization (see table below).

COMPARISON OF UNUSUALLY EFFECTIVE AND INEFFECTIVE HIGH-MINORITY ELEMENTARY SCHOOLS IN NEW YORK CITY, 1975-1976*

	Ineffective Schools	Effective Schools
Attendance Rate	81%	85%
Pupil Turnover	75%	63%
Poverty	83%	71%
Staff Expenditures per Pupil	$1,148	$985
Staff Expenditures for Teachers	73%	75%
Ratio of Pupils to Teachers	22	24
Ratio of Pupils to FTE Hourly Staff	30	49
Teachers with Masters Degree	47%	52%
Teachers with More Than Masters**	36%	37%
Average Teacher Salary	$17,022	$17,286

*Source: Computed from data in Bernard R. Gifford et al, Community and High School Profiles: 1975-1976, New York City Board of Education, 1977. Using a t-test, these means are significantly different at the 0.05 level, except as indicated.
**Not significantly different.

The attendance rate for effective schools is higher than that for ineffective schools, but the 85 percent attendance rate is still quite low. The rate at which the membership of a school's student body changes (departures plus admissions as a percentage of the average daily register) is lower in effective schools. Effective schools have fewer students from

poverty backgrounds, but the proportion of pupils eligible for free lunches still averages a high 71 percent. Surprisingly, these schools spend $160 less per pupil for staff. With roughly the same proportion of staff expenditures going for teachers, effective schools end up with significantly higher ratios of pupils to staff. Effective schools have more teachers with masters degrees, but there is no difference in the proportion of teachers with graduate training beyond the masters degree. Finally, the average salary for teachers in effective schools is higher, which reflects the greater proportion of teachers with graduate training.

Of course, none of these statistical relationships proves that any or all of these factors cause schools to be more or less effective in achieving their objectives. We are still a long way from identifying all of the factors associated with school effectiveness -- and even a longer way from being able to replicate them on a systematic basis. But in the meantime, can we afford to call a moratorium on school finance reform, on providing the cities with additional aid?

Clearly, the answer is "no." But regardless of where new aid comes from, assuming that it will come at all, one thing is certain. The legislature will find the act of providing the cities with additional education dollars so excruciating that it is bound to place new types of restrictions on how the dollars are spent.

Should the legislature provide the city school districts with additional aid, I predict that it will require assurances of "process productivity," of increased direct instructional services to children. These

services would require increased contact time between classroom instructional personnel (teachers and paraprofessionals) and students, smaller classes affording more individualized attention per pupil, and more supplies and equipment. Money spent for these purposes would be tolerable to the legislature (and probably the public also), while footing the bill for teacher salary increases beyond cost-of-living, "promotional" salary differentials for fictional or useless qualifications, and the unwarranted growth of administrative bureaucracy would be intolerable. The legislature will probably also try to introduce a mechanism for monitoring school expenditures that neither intrudes on local decisionmaking nor promotes the growth of the state education department.

Though these restrictions may seem stifling to those of us who constitute the "education establishment," they may actually constitute the only real "structural reforms" that grow out of school finance reform. We cannot hope to institute full-scale reform until we discover all of the intricate relationships between the commitment of resources and the attainment of objectives.